



Office of Inspector General United States Department of State

AUD-MERO-20-26

Office of Audits

April 2020

(U) Audit of Global Engagement Center Federal Assistance Award Management and Monitoring

MIDDLE EAST REGION OPERATIONS

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HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-MERO-20-26

(U) What OIG Audited

(U) In March 2016, President Barack Obama signed Executive Order 13721, which required the Secretary of State to establish the Global Engagement Center (GEC). The National Defense Authorization Act (NDAA) for FY 2017 then mandated that GEC “lead, synchronize, and coordinate efforts of the Federal Government to recognize, understand, expose, and counter foreign state and non-state propaganda and disinformation efforts aimed at undermining United States national security interests.” GEC received approximately \$98.7 million in FY 2018 to carry out its work, which includes approximately \$78.7 million in congressionally appropriated funds and \$20 million transferred from the Department of Defense. With this funding, GEC issued 39 Federal assistance awards in FY 2018, composed of grants and cooperative agreements, valued at \$58.6 million.

(U) The Office of Inspector General (OIG) conducted this audit to determine whether Federal assistance awards provided by GEC aligned with its statutory mandate and authority and whether GEC monitored those awards in accordance with Federal requirements, Department of State policies and guidance, and the award terms and conditions.

(U) What OIG Recommends

(U) OIG made five recommendations to GEC that are intended to improve the administration of GEC Federal assistance awards. GEC concurred with all five recommendations. GEC’s comments to the recommendations offered and OIG’s reply follow each recommendation in the Audit Results section of this report. GEC’s response to a draft of this report is reprinted in its entirety in Appendix B.

April 2020

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

(U) Audit of Global Engagement Center Federal Assistance Award Management and Monitoring

(U) What OIG Found

(U) OIG reviewed all 39 grants and cooperative agreements that GEC awarded in FY 2018 and found that the stated purpose of all but 1 award (97 percent) aligned with GEC’s statutory mandate and authority. However, OIG selected 10 of the 39 Federal assistance awards for detailed testing and found that GEC did not consistently manage and monitor the awards tested in accordance with Federal requirements, Department policies and guidance, and award terms and conditions. Specifically, GEC officials did not always clearly designate roles and responsibilities for grants management personnel and 3 of 10 required award risk assessments contained errors. In addition, 9 of 10 monitoring and evaluation plans did not include all required elements and did not demonstrate a direct link to the final award scope of work, as required by the Department’s Federal Assistance Directive. Furthermore, OIG found that GEC officials did not review recipients’ performance reports and financial information in accordance with Department policies and guidance. Specifically, OIG found that 4 of 10 of the award recipients’ performance reports reviewed for this audit only provided descriptions of actions taken in the previous quarter and did not link implementing activities to any performance indicators.

(U) These deficiencies occurred, in part, because GEC did not have enough experienced personnel to issue, manage, and monitor cooperative agreements when the FY 2018 awards were issued. In addition, GEC has not formally adopted internal policies, processes, and procedures for managing and monitoring Federal assistance awards. During the audit, GEC hired additional staff members and plans to adopt internal policies, processes, and procedures by March 2020. Until these deficiencies are fully remediated, GEC will not be in a position to ensure award recipients are using funds as intended or be able to fully demonstrate that the awards being implemented are fulfilling GEC’s statutory mandate to coordinate efforts in countering propaganda and disinformation efforts aimed at undermining U.S. national security interests.

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(U) OBJECTIVE

(U) The Office of Inspector General (OIG) conducted this audit to determine whether Federal assistance awards provided by the Global Engagement Center (GEC) aligned with its statutory mandate and authority and whether GEC monitored those awards in accordance with Federal requirements, Department of State (Department) policies and guidance, and award terms and conditions.

(U) BACKGROUND

(U) In March 2016, President Barack Obama signed Executive Order 13721, which required the Secretary of State to establish GEC.¹ The Executive Order states that GEC “shall lead the coordination, integration, and synchronization of Government-wide communications activities directed at foreign audiences abroad and in order to counter the messaging and diminish the influence of international terrorist organizations....” In December 2016, the National Defense Authorization Act (NDAA) for FY 2017 expanded GEC’s responsibilities, requiring GEC to “lead, synchronize, and coordinate efforts of the Federal Government to recognize, understand, expose, and counter foreign state and non-state propaganda and disinformation efforts aimed at undermining United States national security interests.”² The FY 2017 NDAA directed GEC to carry out the following functions:

1. (U) Integrate interagency and international efforts to track and evaluate counterfactual narratives abroad that threaten the national security interests of the United States and U.S. allies and partner nations.
2. (U) Analyze relevant information, data, analysis, and analytics from U.S. Government agencies, U.S. allies and partner nations, think tanks, academic institutions, civil society groups, and other nongovernmental organizations.
3. (U) As needed, support the development and dissemination of fact-based narratives and analysis to counter propaganda and disinformation directed at the United States and U.S. allies and partner nations.
4. (U) Identify current and emerging trends in foreign propaganda and disinformation in order to coordinate and shape the development of tactics, techniques, and procedures to expose and refute foreign misinformation and disinformation and proactively promote fact-based narratives and policies to audiences outside the United States.
5. (U) Facilitate the use of a wide range of technologies and techniques by sharing expertise among Federal departments and agencies, seeking expertise from external sources, and implementing best practices.
6. (U) Identify gaps in U.S. capabilities in areas relevant to the purpose of the Center and recommend necessary enhancements or changes.

¹ (U) Before Executive Order 13721 established GEC, the office existed as the Counterterrorism Communication Center from 2006 to 2008, the Global Strategic Engagement Center from 2008 to 2010, and the Center for Strategic Counterterrorism Communications from 2010 to 2016.

² (U) Pub. L. No. 114-328 § 1287(a)(2), 548.

7. (U) Identify the countries and populations most susceptible to propaganda and disinformation based on information provided by appropriate interagency entities.
8. (U) Administer the established information access fund.³
9. (U) Coordinate with U.S. allies and partner nations in order to amplify the Center’s efforts and avoid duplication.
10. (U) Maintain, collect, use, and disseminate records for research and data analysis of foreign state and non-state propaganda and disinformation efforts and communications related to public diplomacy efforts intended for foreign audiences.⁴

(U) GEC’s Operating Structure

(U) GEC received approximately \$98.7 million in FY 2018. This amount included approximately \$78.7 million in congressionally appropriated funds (\$24.6 million for Diplomatic Programs Enduring Public Diplomacy, \$34.3 million for Overseas Contingency Operations, and \$19.8 million Global Coalition to Defeat the Islamic State of Iraq and Syria Supplemental). In addition, GEC received a \$20.0 million transfer from the Department of Defense.⁵ Table 1 provides a breakdown of FY 2018 GEC budget and funding sources.

(U) Table 1: FY 2018 GEC Budget

(U) Funding Source	(U) FY 2017 Carry Forward Funds	(U) FY 2018 Enacted Funds	(U) Total FY 2018 Funding
Enduring Public Diplomacy	-	\$24,591,000	\$24,591,000
Overseas Contingency Operations	\$2,291,212	31,970,895	34,262,107
Global Coalition to Defeat the Islamic State of Iraq and Syria Supplemental	19,810,000	-	19,810,000
Department of Defense Funding Transfer	-	20,000,000	20,000,000
Total	\$22,101,212	\$76,561,895	\$98,663,107

(U) Source: OIG-generated from budget information provided by GEC.

(U) In FY 2018, GEC obligated approximately \$85.9 million (87 percent) of its funding. Approximately \$63.4 million was obligated for grants and cooperative agreements provided to recipients to counter foreign state and non-state sponsored propaganda and disinformation, and about \$10.6 million was obligated for operating expenses. Additional obligations included contracts (\$6.5 million), transfers to other bureaus and overseas posts (\$3.6 million), and interagency agreements (\$1.8 million).

³ (U) The FY 2017 NDAA established the information access fund, which authorizes GEC to provide grants, cooperative agreements, or contracts of financial support in accordance with relevant regulations. See Pub. L. No. 114-328 § 1287(f), 549–550.

⁴ (U) Pub. L. No. 114-328 § 1287(b)(1)-(10), 548.

⁵ (U) The FY 2017 NDAA authorized the Secretary of Defense to transfer up to \$60 million to the Secretary of State in FY 2017 and FY 2018 to carry out GEC’s functions, “provided the amounts authorized to be appropriated or otherwise made available were less than \$80 million.” Pub. L. No. 114-328 § 1287(e), 549. OIG discusses certain aspects of this funding in Finding B.

(U) GEC has 170 authorized positions; personnel working in GEC include Foreign Service officers, Civil Service officers, temporary personnel, contractors, and personnel detailed from other government offices. As of August 2019, GEC had filled 105 (62 percent) of its authorized positions, as shown in Table 2.

(U) Table 2: GEC Staffing Level as of August 2019

	(U) Authorized Positions	(U) On-board
Foreign Service	18	9
Civil Service	17	13
Temporary personnel	10	10
Personal Services Contractors	17	1
Third Party Contractors	55	39
Service Contractors	27	21
Interagency Details	9	8
Liaison Officers	17	4
Total	170	105

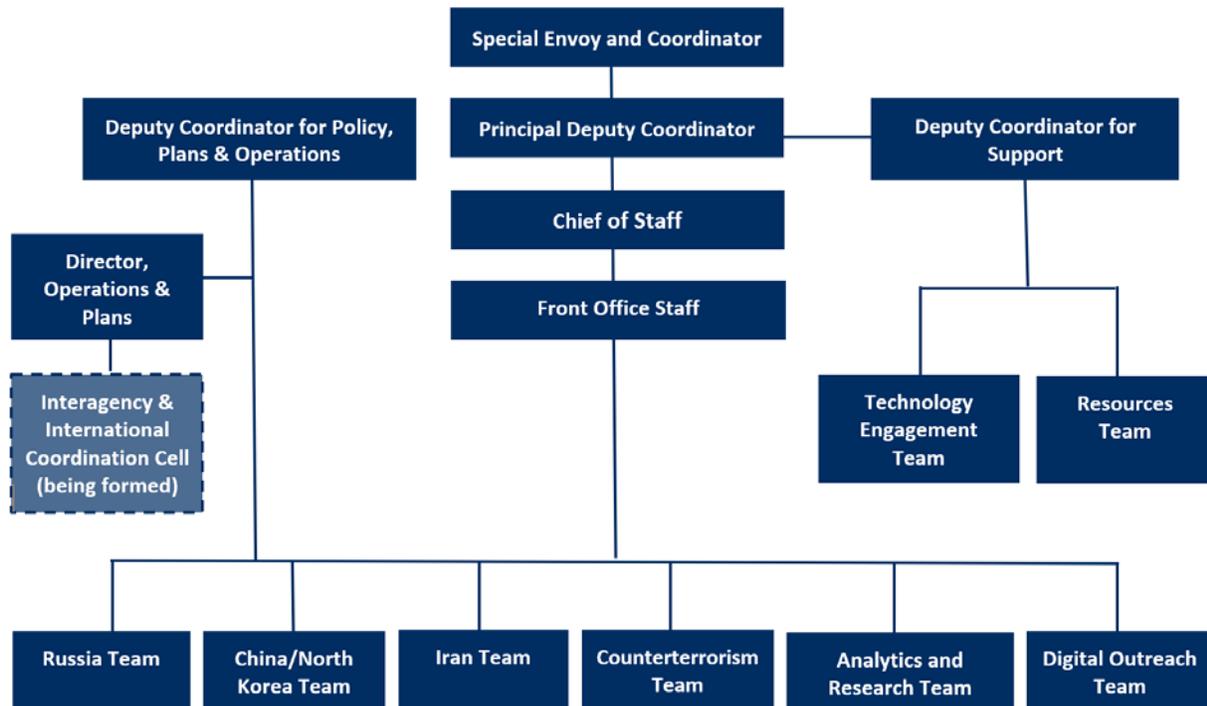
(U) Source: OIG-generated from information provided by GEC.

(U) The Special Envoy and Coordinator, along with a Principal Deputy, Special Advisors, and the Chief of Staff, lead GEC, which is organized into two primary directorates: the Policy, Plans, and Operations directorate and the Support directorate. The Policy, Plans, and Operations directorate includes the GEC Analytics and Research team and four regional threat teams: Russia, China, Iran, and Counterterrorism, which

focuses on activities to counter the Lebanese Hezbollah, al-Qaida, and the Islamic State of Iraq and Syria. The directorate’s responsibilities also include planning and executing operational activities, cross-threat strategies and activities, interagency and international coordination, and assessments and analysis of emerging threats. Members of Policy, Plans, and Operations serve as Program Officers and, in some cases, Grants Officer Representatives (GOR) for managing and monitoring Federal assistance awards.

(U) The Support Directorate’s responsibilities include managing GEC’s human capital, budget, contracts, grants, monitoring and evaluation, Department of Defense funding transfers, vetting and security, and technology engagement. The GEC Grants Officer, Monitoring and Evaluation Specialists, Grants Administrators, and, in some cases, GORs are part of the Support Directorate and are primarily responsible for soliciting, issuing, managing, and monitoring Federal assistance awards. Figure 1 shows GEC’s organizational structure as of August 2019.

(U) Figure 1: GEC Organization as of August 2019



(U) Source: OIG-generated from information provided by GEC regarding its organizational structure.

(U) GEC Federal Assistance Award Monitoring

(U) GEC carries out its functions by providing Federal assistance awards—grants and cooperative agreements⁶—to vetted recipients. Federal assistance award recipients must comply with Federal and Department requirements governing the administration of the awards. Specifically, Department Federal assistance awards are subject to Title II of the Code of Federal Regulations (C.F.R.), Parts 200 and 600, which prescribe requirements for soliciting, awarding, managing, and monitoring Federal assistance awards. The Federal Assistance Directive⁷ (FAD) details the Department’s policies and procedures for implementing awards consistent with 2 C.F.R. 200 and 2 C.F.R. 600.

(U) Grants Officers and GORs manage and monitor Federal assistance awards. Grants Officers are appointed and authorized by the Bureau of Administration’s Office of the Procurement Executive to award and amend Federal assistance awards. Grants Officers are responsible for

⁶ (U) Grants and cooperative agreements transfer money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulation authorized by Federal statute. In contrast to grant agreements, cooperative agreements require greater Federal Government participation in a project. However, even with respect to cooperative agreements, substantial involvement must be reasonable and necessary, rather than a means of exercising greater control over a recipient or project.

⁷ (U) Department, *Federal Assistance Directive*, October 2017.

award execution and are accountable for decisions made.⁸ The GOR's role is to help the Grants Officer ensure that the Department exercises prudent management and oversight of the award through the monitoring and evaluation of the recipient's performance. Grants Officers appoint GORs using GOR designation letters.

(U) In addition to the Grants Officers and GORs, GEC assigns Program Officers and Monitoring and Evaluation Specialists to conduct additional monitoring of Federal assistance awards. The Program Officer provides guidance to the recipient and conveys policy adjustments that may be needed to ensure that programs are consistent with policy priorities. The Monitoring and Evaluation Specialists work with project teams to align program activities to achieve desired outcomes.

(U) What OIG Reviewed

(U) In FY 2018, GEC awarded 39 Federal assistance awards, composed of grants and cooperative agreements, valued at \$58.6 million. For this audit, OIG reviewed all 39 grants and cooperative agreements to determine whether they aligned with GEC's statutory mandate and authority. OIG then performed detailed analyses on 10 selected cooperative agreements, valued at approximately \$34.6 million, to determine whether GEC monitored the awards in accordance with Federal requirements, Department policies and guidance, and award terms and conditions. Appendix A further explains OIG's methodology for selecting and reviewing the 10 awards tested for this audit.

(U) AUDIT RESULTS

(U) Finding A: Grants and Cooperative Agreements Generally Aligned With GEC's Statutory Mandate and Authority

~~(SBU)~~ The 2017 NDAA assigned specific objectives to GEC, and the Department's FAD requires grants and cooperative agreements awarded by the Department to support stated program objectives. OIG reviewed the 39 grants and cooperative agreements that GEC awarded in FY 2018 and found that the purpose and scope of all but 1 award (97 percent) aligned with GEC's statutory mandate and authority. The lone exception occurred because GEC officials failed to detect that the award purpose did not align with FY 2017 NDAA guidance. The award—a cooperative agreement issued to the ~~(b) (4), (b) (7)(E)~~—was terminated on May 31, 2019, for reasons unrelated to the error.

⁸ (U) The FAD states that the Grants Officer has the authority to the maximum extent practicable and consistent with law, to determine the application of rules, regulations, and policies, on a specific award. The authority to make decisions, and the accountability for the decisions made, will be within the Federal Assistance Team member's area of responsibility. See Federal Assistance Directive, October 2017, Chapter 1, § D, *Roles and Responsibilities*, 3–4.

(U) The Award Purposes and Scopes Aligned With GEC's Mandate and Authority

(U) The Department's FAD states that, prior to announcing a program, personnel responsible for issuing Federal assistance awards must be familiar with the type of funding to be used, including the statutory authority, appropriation, and any applicable legal requirements.⁹ Additionally, the FAD states that a Federal assistance award scope of work should be aligned with the office's strategic goals and objectives.¹⁰ To carry out its objectives, the FY 2017 NDAA authorized GEC "to provide grants or contracts of financial support to civil society groups, social media content providers, nongovernmental organizations, federally funded research and development centers, private companies, or academic institutions for the following purposes:

PURPOSE 1: (U) To support local independent media who are best placed to refute foreign disinformation and manipulation in their own communities.

PURPOSE 2: (U) To collect and store examples in print, online, and social media, disinformation, misinformation, and propaganda directed at the United States and its allies and partners.

PURPOSE 3: (U) To analyze and report on tactics, techniques, and procedures of foreign information warfare with respect to disinformation, misinformation, and propaganda.

PURPOSE 4: (U) To support efforts by the Center to counter efforts by foreign entities to use disinformation, misinformation, and propaganda to influence the policies and social and political stability of the United States and U.S. allies and partner nations."¹¹

(U) OIG obtained documentation from the Department's State Assistance Management System¹² (SAMS) and reviewed the purposes and objectives associated with the 39 grants and cooperative agreements that GEC awarded in FY 2018. OIG found that the purposes and objectives of 38 of 39 (97 percent) of the grants and cooperative agreements reviewed aligned with the FY 2017 NDAA's guidance. In addition, as shown in Table 3, most of the awards reviewed addressed one or more permissible statutory purposes of award, in accordance with the 2017 NDAA's guidance on GEC Federal assistance awards.

⁹ (U) Federal Assistance Directive, Chapter 2, § C, *Confirm Statutory Authority and Appropriation*, 25.

¹⁰ (U) Federal Assistance Directive, Chapter 2, § N.2, *Scope of Work*, 64.

¹¹ (U) Pub. L. No. 114-328 § 1287(f)(1)(A)-(D), 550.

¹² (U) SAMS is the Department's electronic grants management system and serves as an electronic file folder for Federal assistance awards. The electronic award file contains the award risk assessments, monitoring plans, awards, and award modifications.

(U) Table 3. GEC FY 2018 Award Purpose and Objective Alignment

	(SBU) Recipient and Award Number	(U) PURPOSE 1	(U) PURPOSE 2	(U) PURPOSE 3	(U) PURPOSE 4
1	(b) (4), (b) (7)(E)			✓	✓
2		✓			✓
3					✓
4				✓	✓
5				✓	✓
6					✓
7					✓
8					✓
9	CNA Corporation (SGECPD18CA0027)			✓	
10	(b) (4), (b) (7)(E)	✓			✓
11	Democracy Council of California (SGECPD18CA0030)				✓
12	(b) (4), (b) (7)(E)	✓			✓
13					
14		✓			✓
15		✓			✓
16		✓		✓	
17					✓
18		✓			✓
19				✓	
20		✓			✓
21					✓
22	✓			✓	
23			✓		
24			✓	✓	
25			✓	✓	
26			✓	✓	
27			✓	✓	
28	Park Capital Investment Group (SGECPD18CA0024)			✓	✓
29	(b) (4), (b) (7)(E)			✓	✓
30				✓	✓
31		✓		✓	
32		✓		✓	
33				✓	
34					✓
35				✓	
36				✓	✓
37				✓	✓
38		✓			
39		✓			✓

(U) Source: OIG-generated from analysis of the award purpose and objectives of GEC FY 2018 Federal assistance awards.

(SBU) For example, GEC awarded \$990,000 to (b) (4), (b) (7)(E) to counter violent extremist organization recruitment in Azerbaijan, Georgia, and Macedonia. The award not only addressed analyzing and reporting on tactics, techniques, and procedures of foreign information warfare but also supported GEC efforts to counter efforts by foreign entities to use disinformation, misinformation, and propaganda to influence the policies and social and political stability of the United States and U.S. allies and partner nations. GEC provided another award, valued at approximately \$1.4 million to (b) (4), (b) (7)(E) to implement an 18-month project to empower citizens and technology firms to create a safer online environment for Iranians. This award addresses support for local independent media who are best placed to refute foreign disinformation and manipulation in their own communities as well as to support GEC in countering efforts by foreign entities to use disinformation, misinformation, and propaganda to influence the policies and social and political stability of the United States and U.S. allies and partner nations.

(SBU) Many of the awards were complex and included multiple objectives. For example, GEC provided approximately \$3 million to (b) (4), (b) to identify and map Russian disinformation actors, platforms, and activities; assess Russian disinformation activity strengths and weaknesses, including an assessment of why some countries are more vulnerable than others to such campaigns; create a platform encompassing new Artificial Intelligence-based techniques designed to improve research into Russian disinformation activities; and offer more clarity on how Russian disinformation affects public attitudes in the states being targeted. The award was implemented in Central and Eastern European and Balkan states, including Bulgaria, the Czech Republic, Hungary, North Macedonia, Montenegro, Romania, Serbia, and Slovakia. The award has three objectives:

1. (SBU) Develop a platform that can predict Russian disinformation campaigns at the earliest possible stage in several Central and Eastern European and Balkan states. (b) (4), (b) states that the platform will be an “automated disinformation mapping, early warning, and prediction mechanism.”
2. (U) Identify the “blind spots” that limit the imposition of countermeasures designed to combat Russian disinformation and monitor and analyze information warfare with tools that include an early warning system.
3. (U) Assess public attitudes and vulnerabilities in Central and Eastern European and Balkan states.

(SBU) Another award was provided to (b) (4), (b) (7)(E) “to test and engineer novel technological solutions through combination, hybridization, or other applications of existing technologies to address the problems of foreign propaganda and disinformation, and rapidly make those technologies available for use by GEC partners.” The award’s six objectives included baseline knowledge development, information domain awareness, real-time identification of

information cascades, enhanced audience segmentation, developing message generation capabilities, and development of intelligent counter messaging systems.

(U) One Award Did Not Align With NDAA Guidance for GEC Awards

(SBU) Of the 39 Federal assistance awards reviewed for this audit, OIG identified 1 exception that did not align with the 2017 NDAA guidance on providing grants and cooperative agreements. Specifically, GEC awarded a cooperative agreement to (b) (4), (b) (7)(E) with the stated purpose to “spur civic demand and organizing for personal liberties and social freedoms, a merit-based economy with rewarding work for youth and women, and solutions to Iran’s mounting environmental and public health crises.” Because the stated purpose of this award did not relate to the purposes specifically outlined in the FY 2017 NDAA, OIG concluded that the purpose of this award did not align with GEC’s statutory mandate and authority.

(U) This lone exception occurred because GEC officials failed to detect that the award purpose did not align with the 2017 NDAA guidance. Specifically, in September 2017, the Department’s Bureau of Near Eastern Affairs (NEA) solicited proposals to implement programs to promote more consistent respect for human rights and democratic principles in Iran, including those reflected in the Iranian Constitution and those obligations enshrined in international agreements to which Iran is a party. In April 2018, GEC solicited proposals to implement programs to counter foreign state and non-state sponsored propaganda and disinformation efforts aimed at undermining U.S. national security interests. GEC wanted organizations to “introduce cutting edge, cost-effective approaches”¹³ to the four purposes outlined in the FY 2017 NDAA guidance for providing grants and cooperative agreements.

(SBU) (b) (4), (b) (7)(E) submitted proposals in response to both the NEA and GEC notices. The proposals included the following elements:

(SBU) Table 4. (b) (4), (b) (7)(E) Proposal Elements

(U) Notice: NEA
(SBU) Title: (b) (4), (b) (7)(E)
(U) Budget: \$1,400,000
(U) Purpose: Spur civic demand and organizing for personal liberties and social freedoms, a merit-based economy with rewarding work for youth and women, and solutions to Iran’s mounting environmental and public health crises.
(U) Objectives: <ul style="list-style-type: none">• Spur civic demand and organizing for personal liberties and social freedoms.• Galvanize civic initiatives for better jobs for (especially female) graduates, fairness and equality in workplace, and a merit-based economy.• Strengthen civil society advocacy for synergistic policy solutions to Iran’s environmental crisis and ensuing public health crises.

¹³ (SBU) GEC, Notice of Funding Opportunity – Information Access Fund (b) (4), (b) (7)(E), April 5, 2018, 2.

(U) Notice: GEC

(SBU) Title: (b) (4), (b) (7)(E)

(U) Budget: \$500,000

(U) Purpose: Counter efforts by foreign entities to use disinformation and propaganda to influence the policies and social and political stability of the United States and U.S. allies and partner nations.

(U) Objectives:

- Sensitize Arab and international audiences to the disinformation and propaganda of the Iranian regime.
- Counter the Iranian regime's lies and nefarious influence outside Iran through spreading facts about its actions.
- Amplify voices of Iranians dissenting from the Islamic Republic's ideology and imperial ambitions, pressing for a peaceful Iranian foreign policy that honors the security, rights, and dignity of other peoples.

^a (U) This project was later renamed the "Iran Disinformation Project."

(SBU) Source: OIG-generated from a review of (b) (4), (b) (7) proposals submitted to NEA and GEC.

(SBU) NEA selected (b) (4), (b) (7)(E) but ultimately was unable to fund the proposal and recommended that GEC do so instead. When GEC issued the award, the Grants Officer and the Program Officer incorporated the title, purpose, and budget from (b) (4), (b) (7)(E) response to NEA's funding opportunity with the objectives and scope of work associated with (b) (4), (b) (7)(E) response to GEC's funding opportunity. However, GEC officials failed to detect that the award purpose did not align with FY 2017 NDAA guidance, seemingly because of confusion that stemmed from recordkeeping errors that followed GEC's receipt of two separate proposals. (b) (4), (b) (7)(E) itself brought the purpose of the award to GEC's attention 1 month after the award was made and noted the apparent error, but that error was never corrected.

(SBU) The cooperative agreement that GEC provided to (b) (4), (b) (7)(E) was terminated effective May 31, 2019, for reasons unrelated to the erroneous title, purpose, and budget.¹⁴ From the time of its award (September 28, 2018) to the time of its termination, GEC officials stated that (b) (4), (b) (7)(E) was implementing GEC objectives and scope of work that aligned with its statutory mandate and authority. However, had the cooperative agreement not been terminated, OIG would have recommended that GEC immediately modify the cooperative agreement to reflect the correct title, purpose, and budget and put in place internal controls to monitor and oversee the cooperative agreement. Failure to do so would have resulted in GEC's being in non-compliance with requirements outlined in the FY 2017 NDAA guidance.

¹⁴ (SBU) On May 31, 2019, GEC suspended cooperative agreement (b) (4), (b) (7)(E) provided to (b) (4), (b) (7) In its suspension letter, GEC stated that the suspension was a result of (b) (4), (b) (7)(E) activities "being outside of or not in accordance with the scope of work." According to GEC, a congressional staff member informed it that (b) (4), (b) (7) Iran Disinformation Project Twitter account leveled criticism at human rights workers, academics, and journalists, including U.S. citizens. After investigating the incident, GEC terminated the cooperative agreement on July 17, 2019, but retroactively dated the termination to May 31, 2019, to conform with the date of the suspension letter. OIG did not assess whether the tweets or any other conduct were, in fact, "outside of or not in accordance with the scope of work." As described in the text of the report, with respect to our scope, OIG only assessed whether the stated purposes of the awards fell within the statutory mandate as set forth in the relevant legislation.

(U) Finding B: GEC's Management and Monitoring of Its Federal Assistance Awards Needs Improvement

(U) Of the 39 Federal assistance awards reviewed for this audit, OIG selected 10 for detailed testing to assess compliance with award monitoring requirements. OIG found that GEC did not consistently manage and monitor the awards tested in accordance with Federal requirements, Department policies and guidance, and award terms and conditions. Specifically, GEC officials did not always clearly designate roles and responsibilities for grants management personnel, and 3 of 10 (30 percent) of the required award risk assessments contained errors. In addition, GEC officials did not establish effective monitoring plans. OIG found that 9 of 10 (90 percent) of the monitoring and evaluation plans reviewed did not include all monitoring and evaluation plan elements and 9 of 10 (90 percent) did not demonstrate a direct link to the proposed scope of work, as required by the FAD. Furthermore, OIG found that GEC officials did not review recipients' performance reports and financial information in accordance with Department policies and guidance. OIG found that 4 of 10 (40 percent) of the award recipients' performance reports reviewed for this audit only provided descriptions of actions taken in the previous quarter and did not link implementing activities to any performance indicators.

(U) These deficiencies occurred, in part, because GEC did not have enough experienced personnel to issue, manage, and monitor cooperative agreements when the FY 2018 awards were issued. In addition, GEC has not formally adopted internal policies, processes, and procedures for managing and monitoring assistance awards. Until these deficiencies are fully remediated, GEC will not be in a position to ensure award recipients are using funds as intended or be able to fully demonstrate that the awards being implemented are fulfilling GEC's statutory mandate to coordinate efforts in countering propaganda and disinformation efforts aimed at undermining U.S. national security interests.

(U) GEC Officials Did Not Clearly Designate Roles and Responsibilities

(U) OIG found that GEC did not clearly designate roles and responsibilities for managing and monitoring Federal assistance awards. The FAD states that a Grants Officer must designate a GOR for all assistance awards in which the U.S. share of costs is more than \$100,000. According to the FAD, a GOR must be certified by the Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division, and designated in writing by the Grants Officer for a specific award. The GOR has a range of responsibilities, including:

- (U) Coordinating and consulting with the recipient on all programmatic or technical matters in the administration of the assistance award.
- (U) Monitoring and assessing project performance to ensure compliance with the assistance award terms and conditions.
- (U) Receiving and reviewing required recipient reports (progress, financial, or other) and ensuring they are timely and complete.
- (U) Providing the Grants Officer with a written assessment of the recipient's performance on the basis of the review of Program Progress Reports within 30 days of receipt.

- (U) At the direction of the Grants Officer, documenting the official Federal award file to indicate that the GOR reviewed and approved the Program Progress Report or the Federal Financial Report within 30 days of receipt of the reports.
- (U) Assisting the Grants Officer in determining whether a payment request should be approved.¹⁵

(U) In reviewing the official award files in SAMS, OIG found that a single GEC official had been named as the GOR for all 10 awards. However, at the time these awards were made (September 2018), the GOR had not been designated in writing, in accordance with the FAD. When OIG spoke with the GOR named in the cooperative agreement award provisions, he stated that his involvement was limited to administrative tasks such as obtaining and approving quarterly performance and financial reports and that he was not involved in programmatically executing or reviewing award activities. OIG also found that 3 of 10 award files did not contain any GOR designation letters¹⁶ and that 4 GOR designation letters were not completed until February 2019, indicating that for at least the first 4 months of the awards' periods of performance, no GOR had been formally designated.

~~(SBU)~~ When OIG asked award recipients to identify the designated GOR for their respective awards, four recipients named an individual other than the person identified in award documents. For example, in October 2019, Democracy Council of California personnel identified a GEC official as the GOR. However, this individual was not named in the award provisions nor designated as the GOR in writing. Democracy Council of California personnel also stated that they were informed a new official recently had been designated as the GOR, but OIG discovered that this "new" individual was actually named as the GOR in the award provisions in September 2018 and that the Grants Officer issued a GOR designation letter for him in February 2019. However, according to Democracy Council of California personnel, they did not have any contact with the designated GOR prior to November 2019. Finally, (b) (4), (b) (7)(E) personnel were able to name the GOR designated in the award provisions, but the GOR designation letter itself identified a different individual.

(U) GEC officials also told OIG that they employed what they termed as "cognizant" and "non-cognizant" GORs. This terminology was apparently used informally by GEC and is not an official designation or category. According to GEC officials, "cognizant" GORs are familiar with programmatic and financial aspects of Federal assistance awards and grants management and administration, and "non-cognizant" GORs are not involved in the awards' programmatic aspects and are instead responsible for administrative tasks such as approving quarterly performance and financial reports. On the basis of this information, OIG concludes that GEC officials who acted in a "non-cognizant" capacity were GORs in name only, and were assigned only to nominally fulfill the FAD requirement that Grants Officers designate a GOR for all awards in which the U.S. Government's share of costs was more than \$100,000. The "non-cognizant" GORs who handled primarily administrative matters lack any proper basis for

¹⁵ (U) Federal Assistance Directive, Chapter 2, § P, *Grants Officer Designates GOR*, 78–79.

¹⁶ (U) GEC completed GOR designation letters for these three awards on October 29, 2019, and November 1, 2019.

accepting cooperative agreement recipient work and are unable to provide assurance that recipients complete work in accordance with Federal requirements, Department policies and guidance, and award terms and conditions.

(U) Risk Assessments and Monitoring and Evaluation Plans for Assistance Awards Did Not Meet Federal and Department Requirements

(U) OIG found that 3 of 10 risk assessments reviewed for this audit (30 percent) contained errors and that none of the risk assessments were incorporated into SAMS award files. In addition, one risk assessment had to be recreated because the Grants Officer was unable to find the original document. OIG also determined that most monitoring and evaluation plans associated with the 10 cooperative agreements were not completed in accordance with Department policies and guidance.

(U) Risk Assessments

(U) 2 C.F.R. § 200.205 states that, for grants or cooperative agreements, a “Federal awarding agency must have in place a framework for evaluating the risks posed by applicants before they receive Federal awards.”¹⁷ To meet this requirement, the Federal awarding agency may use a risk-based approach and may consider items such as financial stability; quality of management systems and ability to meet management standards; history of performance; reports and findings from audits; and the applicant’s ability to effectively implement statutory, regulatory, or other requirements.¹⁸ The FAD requires that all bureaus, offices, and posts involved in awarding Federal financial assistance complete risk assessments of award recipients before providing funds. The FAD further requires the risk assessments to include analysis of a range of relevant issues, including, for example, the financial stability and performance history of the prospective implementer, how the activities to be implemented affect the Department’s ability to achieve its goals and objectives, and the environment in which award activities will be implemented. The Department’s Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division, developed a risk assessment worksheet that is mandatory for all grants and cooperative agreements.¹⁹

(U) Upon request, GEC officials provided OIG the risk assessments for each of the 10 awards tested. Although award risk assessments had been completed for all 10 awards that OIG reviewed for this audit, three of those assessments contained errors. Specifically:

- (SBU) NEA completed a risk assessment for the (b) (4), (b) (7)(E) program; however, the assessment did not incorporate risks associated with the organization’s (b) (4), (b) (7)(E) program (for which (b) (4), (b) (7)(E) received the GEC-issued cooperative agreement). In addition, GEC did not conduct an independent risk assessment using the required worksheet to address the risks associated with the (b) (4), (b) (7)(E) program.

¹⁷ (U) 2 C.F.R. § 200.205(b), 101.

¹⁸ (U) 2 C.F.R. § 200.205(c)(1)-(5), 101.

¹⁹ (U) Federal Assistance Directive, Chapter 2, § K, *Conduct a Risk Assessment*, 57–59.

- (SBU) The risk assessment completed for the Democracy Council of California identified the organization as a foreign-based entity rather than a domestic one and referenced activities that did not align with the award purpose. In fact, the risk assessment cited the same Unique Entity Identifier as the assessment for (b) (4), (b) (7)(E) and the assessment addressed risks associated with (b) (4), (b) (7)(E) award, an entirely different award.
- (SBU) The risk assessment for (b) (4), (b) (7)(E) erroneously states that programmatic activity will take place in Nigeria, rather than Kenya, and was not completed using the FAD-required worksheet.

(U) Additionally, according to the Grants Officer, one risk assessment had to be recreated because the original document could not be found. OIG also found that none of the risk assessments was incorporated into SAMS, which is the Department's electronic grants management system. OIG acknowledges that the FAD does not explicitly require risk assessments to be incorporated into SAMS award file but, had GEC followed this practice, it would have been unnecessary to recreate the missing risk assessment because it would have been readily available.

(U) Monitoring and Evaluation Plans

(U) The FAD requires every Federal assistance award to have a written monitoring plan that is appropriate to the award and linked to the risk assessment. According to the FAD, the plan should:

- (U) Consider the level of risk, any risk mitigation measures, and the resources available to provide monitoring.
- (U) Be linked to the award scope.
- (U) Show both the performance metrics for the scheduled activities and the frequency and types of monitoring mechanisms to be employed.
- (U) Include the assessment of goals and objectives of the award and the outcomes that are expected.²⁰

(U) In addition to the FAD, the *Foreign Affairs Manual* (FAM) requires each bureau and independent office to develop a plan for monitoring programs and projects.²¹ Bureaus and independent offices must:

- (U) Develop performance indicators to monitor progress and to measure actual results compared to expected results.
- (U) Establish a methodology for collecting baseline data, which should usually be collected before or at the start of a program or project to provide a basis for planning and monitoring subsequent progress.

²⁰ (U) Federal Assistance Directive, Chapter 2, § O, *Develop a Monitoring Plan*, 77.

²¹ (U) 18 FAM 301.4-3, *Monitoring*.

- (U) Set targets for each performance indicator to indicate the expected change over the course of each period of performance.
- (U) Develop a monitoring plan that documents all the indicators and baselines, milestones, and targets for each indicator.²²

(SBU) OIG reviewed cooperative agreement recipients' proposed monitoring and evaluation plans to determine whether they included the elements required by the FAM. OIG found that 9 of 10 plans (90 percent) did not include all monitoring and evaluation plan elements. For example, the (b) (4), (b) (7)(E) proposed monitoring and evaluation plan included performance indicators, but these were not related to award activities identified in the cooperative agreement's final scope of work. The (b) (4), (b) (7)(E) monitoring and evaluation plan also did not include or establish baseline data. In another example, (b) (4), (b) (7)(E) proposed monitoring and evaluation plan included performance indicators and targets but did not include baseline data from which to measure progress. OIG also found that the monitoring and evaluation plans for CNA Corporation, the Democracy Council of California, (b) (4), (b) (7)(E) the (b) (4), (b) (7)(E) and (b) (4), (b) (7)(E) did not include performance indicators, targets, or baseline data.

(U) When responding to GEC funding opportunities, applicants were required to submit monitoring and evaluation plans that outlined their basic approaches to monitoring and evaluating activities and sub-awards, including methods of reporting and recording programmatic successes and challenges. All 10 recipients for the awards OIG reviewed submitted monitoring and evaluation plans linked to their proposed scopes of work in response to GEC funding opportunities. GEC, however, negotiated the cooperative agreement scopes of work, which resulted in differences between the proposed and final scopes of work. That is, the proposed monitoring and evaluation plans in these cases were based on a document that had been superseded and that no longer described the work that would actually be conducted. Nonetheless, GEC officials told OIG that recipients' proposed monitoring and evaluation plans were accepted and adopted as the final plan for each award. As a result, OIG found that 9 of 10 monitoring and evaluation plans (90 percent) did not reflect the final award scope of work as required by the FAD.

(SBU) For example, (b) (4), (b) (7)(E) scope of work includes the following objectives:

1. (U) Target audience analysis using quantitative and qualitative research from both in-person and digital approaches in Latvia, Lithuania, Estonia, and Moldova.

²² (U) 18 FAM 301.4-1(B), *Definitions*, defines a performance indicator as a particular characteristic or dimension used to measure intended changes, to observe progress, and to measure actual results compared to expected results; baseline as data that are collected before or at the start of a program, project, or process and provide a basis for planning or assessing subsequent progress and impact; a project as a set of activities intended to achieve a defined product, service, or result with specified resources within a set schedule; and a program as a set of activities, processes, or projects aimed at achieving a goal or objective that is typically implemented by several parties over a specified period of time and may cut across sectors, themes, or geographic areas.

2. (U) Using the Exovera Artificial Intelligence platform to conduct active monitoring of the media environment. Additionally, using a combination of mathematical network mapping and public content observation to identify relevant sources of influencers online.

(SBU) (b) (4), (b) (7)(E) proposed monitoring and evaluation plan stated that “a more robust, comprehensive [Monitoring and Evaluation] Framework will be developed during the Inception Phase in consultation with the GEC,” but the plan did not include program objectives. Therefore, the monitoring and evaluation plan did not demonstrate a direct link to the award scope of work. Similarly, the Democracy Council of California monitoring and evaluation plan did not include programmatic objectives. Therefore, the monitoring and evaluation plan did not demonstrate a direct link to the award scope of work.

(U) In addition, rather than working with recipients to update proposed monitoring and evaluation plans after finalizing the scopes of work, GEC simply incorporated proposed output and outcome²³ measures into the final scopes of work for each of the 10 awards reviewed for this audit. Although GEC officials explained that this was done to enhance the existing monitoring and evaluation plans, OIG determined that incorporating output and outcome measures did not fully address the inadequacies of the monitoring and evaluation plans noted above because they did not include enough information to allow GEC to measure change over time. For example, output measures that GEC added to the awards include public service announcements and mini-documentaries, reports, symposiums, training and skills-building, establishing procedural guidance, introductory “kick-off” meetings and presentations, identifying and recruiting subject matter experts, focus groups, and workshops. Some outcome measures that GEC added include:

- (U) General discourse and policy debates about how to counter threats via disinformation and propaganda elevated and oriented toward practical measures throughout society, including regulatory solutions for social media companies serving as active measures for those opposed to the United States.
- (U) Placing successful technologies on an accredited, secured unclassified network for GEC and partner use.
- (U) Engagements with journalists will help those at all levels recognize propaganda, disinformation campaigns, and other interference and influence efforts directed at undermining U.S. national security interests.
- (U) Providing GEC a better understanding of regional traditional and social media outlets and platforms and their target audiences as well as influential organizations and individuals that shape opinions and the information environment.

²³ (U) Outputs are the direct, tangible results of program activities. Long-term outcomes describe system- or societal-level results and can focus on changes the program seeks to achieve. Short-term outcomes describe the immediate effects of the program and often focus on changes to the knowledge and attitudes of the program’s beneficiaries or customers. See Department, *Program Design and Performance Management Toolkit*, § 3.3.1, *Develop Long-Term Outcomes*, § 3.3.2, *Develop Short-Term Outcomes*, and § 3.3.3, *Develop Outputs*, 30–32.

(SBU) OIG also found that recipients' performance reports varied in completeness and quality. Specifically, OIG found that 4 of 10 (40 percent) of the award recipients' performance reports reviewed for this audit only provided descriptions of actions taken in the previous quarter and did not link implementing activities to any performance indicators. For example, a CNA Corporation performance report listed program activities such as a sub-awardee workshop, meetings with GEC officials, template development and drafting, and project management tasks such as biweekly meetings, subaward execution, implementation plan development, and a memorandum that documented workshop results. CNA Corporation's performance reports also discussed cost expenditures and upcoming activities. However, the performance report did not discuss the program's successes or difficulties encountered or link activities to performance indicators. In another example, (b) (4), (b) (7)(E) performance reports discussed activities implemented in the reporting period and progress on objectives but did not compare actual to planned performance, discuss the programs' successes and difficulties, or report on performance indicators. Similarly, the (b) (4), (b) (7)(E) performance reports included an evaluation of progress on key quantitative and qualitative indicators, which lists 35 indicators, targets, quarterly output, and cumulative output, as well as project management activities and activities related to each award objective. However, the indicators that the (b) (4), (b) (7)(E) discussed in its performance reports did not link to the proposed monitoring and evaluation plan that GEC accepted nor to the outputs and outcomes later incorporated into the award scope of work.

(U) In addition, 5 of 10 (50 percent) of the award recipients audited told OIG that GEC officials had not asked questions or requested clarifications related to quarterly performance reports. In addition, none of the 10 award files included the GOR's written assessment of the recipients' performance reports, as required by the FAD. Furthermore, the individual identified as the GOR in all 10 cooperative agreement files told OIG that he reviewed recipients' quarterly performance reports "for his own knowledge" and primarily relied on GEC Program Officers to provide award management and monitoring.

(U) GEC Officials Reviewed Required Financial Reports But Did Not Monitor Expenditures

(U) 2 C.F.R. 200.327 requires Federal assistance award recipients to submit financial reports. Award recipients must submit financial reports "with the frequency required by the award terms and conditions, but no less frequently than annually nor more frequently than quarterly."²⁷ The FAD states further that recipients must submit Federal Financial Reports²⁸ to the Grants Officer and the GOR or upload them to SAMS and that either the Grants Officer or the GOR must document review in SAMS or review and approve the reports in the

²⁷ (U) 2 C.F.R. § 200.327, 122.

²⁸ (U) The Federal Financial Report is the Government-wide form for reporting assistance financial expenditures. The report includes information such as cash received from the Federal agency, cash disbursed, remaining cash on hand, total Federal expenditures, and unliquidated obligations.

Department's Payment Management System.²⁹ The FAD also states that "it is permissible to request supporting documentation" "if there are suspected excessive or irregular expenditures."³⁰ Moreover, the Department encourages spot checks to ensure "evidence of expenditures show that purchases are necessary, reasonable, allocable, and allowable."³¹

(SBU) OIG reviewed the award terms and conditions for each of the 10 cooperative agreements and found that the recipients submitted the quarterly financial reports in accordance with C.F.R. requirements. However, OIG found that, although GEC officials reviewed the quarterly financial reports, it was not always the Grants Officer or the GOR who conducted reviews as the FAD requires. For example, CNA Corporation submitted four financial reports, all of which were reviewed by a GEC official other than the Grants Officer or the GOR. Similarly, (b) (4), (b) (7)(F) submitted five financial reports—the Grants Officer reviewed and approved one report, and a GEC official who was neither the Grants Officer nor the GOR reviewed and approved the remaining four reports.

(SBU) In addition, the SAMS award files and the Payment Management System did not include evidence that GEC officials conducted spot checks of recipients' expenses. Because of this, OIG obtained and reviewed the general ledgers for the 10 cooperative agreements to conduct such checks.³² OIG compared actual expenditures with authorized award budgets, both overall and by budget category.³³ OIG found that recipient expenditures generally were necessary, reasonable, allocable, and allowable. OIG noted, however, that documentation for some expenditures was missing or unclear. For example, (b) (4), (b) (7)(E) did not include or had inappropriate support for \$11,112 of the \$330,849 transactions sampled (3.4 percent). Although these inconsistencies do not rise to the level of questioned costs, they do confirm that GEC officials should conduct spot checks as Department guidance suggests.

(SBU) OIG also reviewed reported spending included in the Federal Financial Reports the recipients submitted and found that overall spending rates³⁴ ranged from 11 to 42 percent after 1 year of the awards' periods of performance. The spending rates appear low given that all 10 awards had periods of performance ranging from 18 to 24 months and so could indicate problems implementing the awards. In fact, discussions with two award recipients confirmed that this was the case. For example, (b) (4), (b) (7)(E) officials stated that the spending rate was low

²⁹ (U) The Payment Management System is a U.S. Government-wide centralized award payment and cash management system and is the Department's electronic payment method for Federal financial assistance awarded to U.S.-based organizations.

³⁰ (U) Federal Assistance Directive, Chapter 4, § D.1, *Financial Reporting*, 127–128.

³¹ (U) Office of the Procurement Executive, Federal Assistance Division, *Federal Assistance Management (PY260)*, February 2018, 191.

³² (U) OIG requested general ledgers as of October 1, 2019, from each of the 10 recipients, a date by which each of the awards would have completed at least 1 year of their respective periods of performance.

³³ (U) 2 C.F.R. 200 states that awards can have direct and indirect costs. Direct costs fall under eight budget categories: personnel costs, fringe benefits, travel costs, equipment costs, supplies, contractual costs, construction costs, and other direct costs. Indirect costs include facilities and administrative costs.

³⁴ (U) The spending rate is the percentage of an award's budget that has been expended at a given point in time.

because of changes to the award and explained that, as a result, they were unable to implement some program activities. (b) (4), (b) (7)(E) ultimately requested a modification to the scope of work, a budget realignment, and an extension to complete its work. Democracy Council of California officials stated that its spending rate was low because of the time it took to obtain approval for sub-awards. Subsequently, its work had not progressed in a timely manner. GEC officials stated that the Department of Defense was involved in reviewing and approving sub-awards, which slowed award activities and resulted in the low spending rate.

(SBU) When examining expenditures by budget category, OIG found that several awards exceeded or are likely to exceed authorized budgets for two budget categories—“Personnel” and “Fringe Benefits.”³⁵ Specifically, for 7 of 10 cooperative agreements, the spending rate for “Personnel” expenditures exceeded the overall spending rate. For example, the overall spend rate for (b) (4), (b) (7)(E) was 41.5 percent (approximately \$1.45 million expended of \$3.5 million budgeted) although the spend rate for “Personnel” expenses was 68.1 percent (approximately \$331,000 expended of \$487,000 budgeted). A “Personnel” spending rate that exceeds the overall spending rate could alert GEC that a budget realignment or cost modification may be required. For four cooperative agreements, the spending rate for “Fringe Benefits” expenses also exceeded the overall spending rate. For example, the overall spend rate for (b) (4), (b) (7)(E) was 11.2 percent (approximately \$493,000 expended of \$4.4 million budgeted), although the spend rate for “Fringe Benefits” was 135.2 percent (approximately \$23,000 expended of \$17,000 budgeted).

(SBU) OIG identified other instances of potentially excessive spending in the remaining six budget categories. For example, the (b) (4), (b) (7)(E) expended approximately 118.9 percent (approximately \$365,000 expended of \$307,000 budgeted) of its “Contractual” budget. The Democracy Council of California also expended approximately 82.4 percent (approximately \$63,000 expended of \$77,000 budgeted) of its “Travel” budget. When asked to explain these anomalies, personnel from 8 of 10 recipients told OIG that they intended to seek period-of-performance extensions, modify their respective scopes of work, or realign budgets to address differences between actual expenditures and authorized budgets.

(U) As these examples illustrate, although GEC officials reviewed financial reports, they did not properly monitor expenditures. Doing so could have allowed GEC to identify and potentially address the issues OIG identified.

(U) GEC Did Not Have Enough Experienced Staff To Award, Manage, and Monitor Assistance Awards

(U) The deficiencies identified with GEC’s management and monitoring of its assistance awards occurred, in part, because GEC did not have enough experienced staff to award, manage, and monitor grants and cooperative agreements when the FY 2018 awards were issued. According

³⁵ (U) The FAD states that for awards in which the Government’s share of costs is more than \$250,000, recipients must request approval before transferring funds between direct cost categories if the cumulative cost of the transfer exceeds 10 percent of the total award amount.

to GEC officials, the FY 2017 NDAA “dramatically expanded” GEC’s mandate and added more responsibilities. GEC officials stated that GEC did not have adequate staffing levels to address the expanded mandate. When GEC awarded its FY 2018 grants and cooperative agreements, it had only three Grants Officers: one with an unlimited warrant³⁶ and two with warrants up to \$250,000. As a result, the Grants Officer with the unlimited warrant had to award and oversee 38 of the 39 FY 2018 awards because these awards had values that exceeded \$250,000. That same Grants Officer later became responsible for awarding nine cooperative agreements in FY 2019 because they also exceeded \$250,000 in value.

(U) GEC also did not have experienced GORs to manage and monitor the awards. When GEC awarded the FY 2018 grants and cooperative agreements, it had four certified GORs; however, only one of these GORs had previous experience managing and monitoring assistance awards. According to the two officially designated GORs with whom OIG spoke, their role as GOR was ancillary to their primary responsibilities. One primarily served as GEC’s Contracting Officer’s Representative and the other was the China Threat Team Deputy Chief.

(U) GEC officials stated that from January 2017 through May 2018, they were unable to hire additional staff because of the Department-wide hiring freeze. In addition, GEC relied on another Department bureau for human resources services such as hiring. However, GEC officials stated that the service provider was not expeditious in its hiring efforts and that GEC’s ability to fill vacancies was hampered as a result.³⁷ After the hiring freeze was lifted in May 2018 and GEC was assigned a new human resources service provider, it was able to hire additional staff members, including a Grants Officer with a \$10 million warrant, two Grants Administrators, and two Monitoring and Evaluation Specialists. GEC officials stated that GEC will conduct a staffing needs assessment in early 2020 to determine the appropriate staffing level to manage and monitor the assistance awards.

(U) GEC Has Not Adopted Policies, Processes, and Procedures for Managing and Monitoring Assistance Awards

(U) Another reason for the deficiencies identified with GEC’s management and monitoring of the cooperative agreements is the absence of policies, processes, and procedures for managing and monitoring assistance awards. In January 2019, GEC drafted a manual that provides such guidance. The manual defines roles and responsibilities for grants management officials, requirements for competing awards, award closeout procedures, and required documentation for award files. The manual also requires grants management officials to “identify any risks associated with the project, operating environment, recipient organization, financial controls,

³⁶ (U) Grants Officers must have a valid Certificate of Appointment or warrant issued by the Bureau of Administration, Office of the Procurement Executive, prior to providing an award or amending the award. The dollar amount on a warrant refers to the amount of funding the Grants Officer can obligate for each award. See *Federal Assistance Directive*, October 2017, Chapter 1, § D.2.a, *Grants Officer Warrants*, 6.

³⁷ (U) According to GEC officials, they relied on the Bureau of Educational and Cultural Affairs, Office of Human Resources, to provide human resources services. GEC later requested human resources servicing be transferred to the Executive Director of the Joint Executive Office, which supports the Bureaus of European and Eurasian Affairs and International Organization Affairs.

and programmatic performance” and states that these assessments should “directly inform the monitoring plan” and “be updated throughout the award on an as-needed basis based on new audit findings or award monitoring.” The manual also states that monitoring and evaluation plans should be closely aligned with an award’s scope of work; “identif[y] indicators of progress or success in pursuit of the [scope of work] objectives;” and include the indicator title and definition, unit of measure, target, baseline, data source, and collection method. The manual permits GEC to require applicants to provide monitoring and evaluation plans with their proposals but notes that proposed and actual statements of work often do not match; therefore, the manual explains that monitoring and evaluation plans should be updated to match the actual scope of work. Lastly, the manual established requirements for performance and financial oversight, including “reviews [of] documentation of select expenditures from GEC awards.”

(U) Although the manual is a positive development, as of January 2020, the manual had not been formally adopted. Senior GEC officials stated that GEC was in the process of testing the procedures and that staff members responsible for managing and monitoring Federal assistance awards use the standard operating procedures informally. However, OIG determined that GEC staff did not consistently apply the procedures when managing the awards. According to senior GEC officials, the manual is currently being reviewed and updated and is expected to be formally adopted by March 2020.

(U) Department of Defense Funding Directly Impacted Only a Few Awards but Increased GEC Officials’ Workloads for Managing All Awards

(U) As previously noted, the FY 2017 NDAA authorized the Secretary of Defense to transfer up to \$60 million to the Secretary of State to carry out GEC functions. In February 2018, GEC and the Department of Defense agreed to a joint planning process for projects awarded using the transferred funds. Ultimately, however, the decision of whether to provide requested funds rested entirely within the discretion of the Secretary of Defense. In FY 2018, GEC received \$20 million of the \$40 million it requested from the Department of Defense. In FY 2019, GEC received \$5 million of the \$60 million it requested. In both years, GEC received the funding in the final days or the final day of the fiscal year.

(U) GEC officials stated that the late receipt of the funds affected their management of the awards. Specifically, GEC officials stated that it affected the timely completion of award activities, that the staff at times was unable to complete required administrative tasks, and that the workload and time constraints led to record keeping errors. According to GEC senior officials, the Department of Defense made “inordinate demands...in terms of participation in every aspect of the decision making and management process of the [Department of Defense]-funded awards.” The officials further stated that these demands required GEC staff to divert focus from managing and monitoring ongoing cooperative agreements to responding to

questions and requests for information and managing that relationship.³⁸ Moreover, the memorandum of agreement requires both joint planning and coordination “[d]uring the implementation of all programs approved by the [Senior Coordination Group]” and “[w]hen any changes to an existing program are intended to be made to a program previously approved by the [Senior Coordination Group] and supported by the [Department of Defense].”³⁹

(SBU) According to GEC officials and several award recipients, this requirement delayed implementation of at least four FY 2018 awards. For example, one GEC official stated that Department of Defense officials spent months approving notices of funding opportunities. In addition (b) (4), (b) (7)(E) reported in its first quarterly report that “project activities were placed in a holding pattern.” GEC officials stated that the delay was caused by a “newly imposed requirement” that the Department of Defense review and approve recipient work plans and monitoring and evaluation plans as well as approve three proposed sub-awards. (b) (4), (b) (7)(E) and the Democracy Council of California personnel also reported that the Department of Defense’s involvement in their awards caused delays and challenges in implementing award activities.

(U) Although OIG acknowledges that these issues did affect GEC’s ability to implement appropriate award activities, the lateness of the Department of Defense fund transfers does not explain all the challenges identified with GEC’s management of its Federal assistance awards. For example, designating grants management responsibilities, conducting and documenting risk assessments, and negotiating scopes of work are processes that occur *before* an award is implemented. Therefore, regardless of when the funds were actually received, GEC should have already completed these tasks. Moreover, the timing of the Department of Defense funds would have affected only 6 of the 39 grants and cooperative agreements (15 percent) of the FY 2018 GEC awards. In addition, OIG notes that only two cooperative agreements were awarded in the last days of the fiscal year, obligating \$3.6 million of the \$20 million received from the Department of Defense. The remaining Department of Defense funds were obligated through amendments to six awards that had already been awarded and were being implemented. Although GEC needed to update monitoring and evaluation plans for these awards, the late receipt of funds would not have affected the required pre-implementation activities.

(U) The effectiveness of GEC operations, which include the administration of Federal assistance awards that are designed to synchronize Government-wide communications activities and diminish the influence of international terrorist organizations, plays an important role in protecting U.S. national security interests. Until the deficiencies identified in this report are fully remediated, GEC will not be in a position to ensure award recipients are using funds as intended, nor will it be able to fully demonstrate that the awards being implemented are fulfilling GEC’s statutory mandate to coordinate efforts in countering propaganda and

³⁸ (U) OIG did not obtain information directly from the Department of Defense on these issues because the focus of this audit is on GEC’s own actions. OIG may conduct additional work in the future specifically to address interagency coordination.

³⁹ (U) “Memorandum of Agreement Between the Department of Defense and the Department of State for Countering State- and Non-State Actor Disinformation and Propaganda,” Section III(A)(3)(C) and (D), 2.

disinformation efforts. To address the deficiencies identified in this report with the management and monitoring of GEC Federal assistance awards, OIG is offering the following recommendations.

Recommendation 1: (U) OIG recommends that the Global Engagement Center complete a staffing needs assessment to determine the appropriate number and experience level needed for Grants Officers, Grants Officer Representatives, Project Officers, Monitoring and Evaluation Specialists, and Grants Administrators to effectively manage and monitor its complement of Federal assistance awards.

Management Response: (U) GEC concurred with the recommendation, stating that it has “initiated a process of assessing and aligning the staff necessary to effectively manage and monitor its complement of Federal assistance awards.” GEC plans to create two new personal services contractor positions to serve as full-time Grants Officer Representatives in its Resources Grants Unit. GEC also stated that it “will continue to work with the relevant Department support elements to complete a formal staffing needs assessment and implementation plan by May 29, 2020.” GEC’s official response to the draft report is reprinted in full in Appendix B.

OIG Reply: (U) On the basis of GEC’s concurrence with the recommendation, actions taken, and additional actions planned, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that GEC has completed a formal staffing needs assessment and implementation plan.

Recommendation 2: (U) OIG recommends that the Global Engagement Center implement to the extent feasible the results of the staffing needs assessment conducted in response to Recommendation 1.

Management Response: (U) GEC concurred with the recommendation.

OIG Reply: (U) On the basis of GEC’s concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that GEC has implemented the results of the staffing needs assessment completed in Recommendation 1.

Recommendation 3: (U) OIG recommends that the Global Engagement Center clearly identify and designate roles and responsibilities for personnel serving as Grants Officers, Grants Officer Representatives, Project Officers, Monitoring and Evaluation Specialists, and Grants Administrators for all Federal assistance awards and inform award recipients to enhance transparency and ensure that information is clearly communicated to all involved parties.

Management Response: (U) GEC concurred with the recommendation, stating that “a recurring system error in SAMS Domestic caused some of the confusion over which

individuals were assigned as [Grants Officer Representatives] to which awards.” In addition, GEC stated that staff members who received GOR certifications and completed SAMS Domestic training “on several occasions waited more than a month to receive access.” GEC stated that it is updating its Grants Policy and Procedure Manual to more clearly define roles and responsibilities for Grants Officers, Grants Officer Representatives, Grants Administrators, Monitoring and Evaluation Specialists, Program Officers, Team Directors, and Budget Officers. According to GEC, an updated version of this document will be submitted to the Front Office for approval by April 3, 2020.

OIG Reply: (U) On the basis of GEC’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that GEC has updated its Grants Policy and Procedure Manual, including clearly defined roles for personnel serving as Grants Officers, GORs, Project Officers, Monitoring and Evaluation Specialists, and Grants Administrators.

Recommendation 4: (U) OIG recommends that the Global Engagement Center establish and implement policies, processes, and procedures for awarding, managing, and monitoring Federal assistance awards.

Management Response: (U) GEC concurred with the recommendation, stating that its Grants Officers are completing a review and update of the GEC Grants Policy and Procedure Manual to incorporate OIG suggestions. The updated document will be submitted to the GEC Front Office for approval by April 3, 2020. In addition, GEC stated that grants staff are “completing updated work templates and job aids to support Federal assistance awards administration and will conduct a series of trainings to ensure that all GEC staff involved in awards administration understand policies and procedures and how to properly apply them.”

OIG Reply: (U) On the basis of GEC’s concurrence with the recommendation, actions taken, and additional actions planned, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that GEC has updated and implemented its Grants Policy and Procedure Manual, updated work templates and job aids, and conducted trainings to ensure that GEC staff understand policies and procedures and how to properly apply them.

Recommendation 5: (U) OIG recommends that the Global Engagement Center establish performance standards with respect to application of the policies, processes, and procedures developed and implemented in Recommendation 4.

Management Response: (U) GEC concurred with the recommendation, stating that GEC leadership “tasked supervisors to complete revisions, as necessary, to Civil Service work commitments, Foreign Service work requirements, and contractor scopes of work to include specific performance standards with respect to the application of the policies, processes and procedures contained in the updated Grants Policy and Procedure Manual...”

According to GEC, this will be completed within 15 business days of GEC Front Office approval and publication of the updated Grants Policy and Procedure Manual.

OIG Reply: (U) On the basis of GEC's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that GEC has revised performance standards with respect to application of the policies, processes, and procedures developed and implemented in Recommendation 4.

(U) In addition to responding to the recommendations offered in this report, GEC provided other, more general comments in response to a draft of this report (see Appendix B). GEC contended that readers might have an "inaccurate picture" of its "overall administration" of awards without this context. OIG disagrees with this suggestion, and, in fact, the report specifically addressed a number of the points raised by GEC. OIG summarizes and addresses each of GEC's comments below.

(U) GEC reiterated that the Department's hiring freeze was a key factor in its ability to properly staff for its expanded mandate. In addition, GEC stated that "A major expansion in the GEC's mandate coincided with the Department's freeze on hiring, leaving the GEC without enough experienced staff despite multiple appeals for support to the relevant Department entities." OIG notes simply that the report specifically acknowledged the effects of the hiring freeze and addressed the extent to which it did and did not play a role in the noted deficiencies.

(U) GEC also contended that OIG "understated" the time-consuming process of negotiating a memorandum of agreement with the Department of Defense, as well as Department of Defense involvement in award management. According to GEC, "thousands of hours of staff time went into the process of negotiating the Memorandum of Agreement with [Department of Defense], clearing the content of notices of funding opportunity, obtaining the input of [Department of Defense] offices on each submitted proposal, and clearing with [Department of Defense] the draft award scopes of work, implementer work plans and monitoring and evaluation plans." Again, however, OIG specifically addressed this point in the report. In particular, OIG determined that the Department of Defense funding transfer and related activities do not explain all the challenges GEC faces related to Federal assistance award management because many of OIG's findings address issues that occurred with pre-award processes, such as properly conducting risk assessments and assigning grants management staff.

(U) In addition, regarding OIG's conclusion that the purpose of 1 of 39 awards GEC issued in FY 2018 did not align with GEC's statutory mandate and authority, GEC stated that the "actual purpose of the award and the activities the awardee carried out" aligned with GEC's statutory mandate and "the fact that the 'stated purpose' entered into SAMS Domestic implied otherwise was the result of an inadvertent clerical error..." OIG acknowledges GEC's position and agrees the error was likely inadvertent. In fact, the report specifically noted that there appears to have been confusion in addressing two related projects. OIG reviewed FY 2018 GEC awards that were

modified via award amendment post-issuance and concluded that GEC could have used a similar mechanism to rectify the stated purpose of the award. However, OIG also notes that GEC could have but did not take this step before the award was terminated, and OIG therefore reported one exception. In addition, OIG offered no recommendations related to this exception because the referenced award was terminated in May 2019.

(U) Regarding OIG's conclusion that "Risk Assessments and Monitoring and Evaluation Plans for Assistance Awards Did Not Meet Federal and Department Requirements," GEC stated that the report applies 18 FAM 300 requirements to individual recipients' monitoring and evaluation plans but contends that "there is no clear authority for doing so." As noted in the report, OIG disagrees with this position because the FAM requires each bureau and independent office to develop a plan for monitoring programs and projects and does not distinguish whether these programs and projects are implemented by contract, Federal assistance, or other mechanisms. A monitoring and evaluation plan should address how a program will be measured, the baseline from which to measure, and targets to indicate the expected change over time to ensure the recipient is fulfilling the intended purpose of the award (namely, to contribute to GEC's achievement of its organizational goals). As stated in the report, however, GEC did not create its own monitoring and evaluation plans but rather chose to adopt the proposed monitoring and evaluation plans provided by recipients. For GEC to effectively monitor those programs, these plans should meet 18 FAM 300 requirements. Finally, OIG notes that GEC Monitoring and Evaluation Specialists informed OIG that they use 18 FAM 300 requirements as the benchmark for evaluating recipient- and GEC-developed monitoring and evaluation plans. This provides further support for the appropriateness of using this FAM section.

(U) GEC stated that, although OIG concluded that certain award spend rates "appear low," OIG did not provide a standard or metric to support this position. GEC also stated that OIG's presentation of awardee spending on labor-related budget categories does not accurately reflect labor-intensive awards and that the need for "experienced, capable staff" means that a "large portion of the agreed budgets are used to pay for the time and talents of highly skilled people." OIG agrees with GEC that spend rates and expenditures for any award depend on the unique circumstances of an award's execution, and moreover, OIG did not take the position that the spending was improper. OIG similarly does not dispute that salaries and related expenses may be a significant portion of a particular award's expenditures. Rather, OIG noted these issues primarily to point out that, by observing these trends and seeking an explanation from recipients, GEC can more effectively manage awards and identify and address issues earlier rather than later.

(U) Lastly, during the review period for the draft report, GEC separately provided updated information regarding its organizational structure and staffing levels, both of which changed during the audit. OIG incorporated this updated information into Table 2 and Figure 1 in the Background section of this report.

(U) RECOMMENDATIONS

Recommendation 1: (U) OIG recommends that the Global Engagement Center complete a staffing needs assessment to determine the appropriate number and experience level needed for Grants Officers, Grants Officer Representatives, Project Officers, Monitoring and Evaluation Specialists, and Grants Administrators to effectively manage and monitor its complement of Federal assistance awards.

Recommendation 2: (U) OIG recommends that the Global Engagement Center implement to the extent feasible the results of the staffing needs assessment conducted in response to Recommendation 1.

Recommendation 3: (U) OIG recommends that the Global Engagement Center clearly identify and designate roles and responsibilities for personnel serving as Grants Officers, Grants Officer Representatives, Project Officers, Monitoring and Evaluation Specialists, and Grants Administrators for all Federal assistance awards and inform award recipients to enhance transparency and ensure that information is clearly communicated to all involved parties.

Recommendation 4: (U) OIG recommends that the Global Engagement Center establish and implement policies, processes, and procedures for awarding, managing, and monitoring Federal assistance awards.

Recommendation 5: (U) OIG recommends that the Global Engagement Center establish performance standards with respect to application of the policies, processes, and procedures developed and implemented in Recommendation 4.

(U) APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

(U) The Office of Inspector General (OIG) conducted this audit to determine whether Federal assistance awards provided by the Global Engagement Center (GEC) aligned with its statutory mandate and authority and whether GEC monitored those awards in accordance with Federal requirements, Department of State (Department) policies and guidance, and award terms and conditions.

(U) This report relates to overseas contingency operation Operation Inherent Resolve and was completed in accordance with OIG's oversight responsibilities described in Section 8L of the Inspector General Act of 1978, as amended. OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. OIG conducted this audit from June 2019 to January 2020 in Arlington, VA; Washington, DC; Bratislava, Slovakia; and Berlin, Germany.

(U) To obtain background information, OIG reviewed Federal laws and regulations, including Title II of the Code of Federal Regulations, Part 200 (2 C.F.R. § 200), and the National Defense Authorization Acts for FY 2017 and FY 2019.¹ OIG also reviewed the Department's Federal Assistance Directive,² the *Foreign Affairs Manual*,³ and the *Foreign Affairs Handbook*.⁴ OIG also reviewed Notices of Funding Opportunity and the terms and condition of the awards selected for review.

(U) To determine whether the grants and cooperative agreements provided by GEC aligned with its statutory mandate and authority to "lead, synchronize, and coordinate efforts of the Federal Government to recognize, understand, expose, and counter foreign state and non-state propaganda and disinformation efforts aimed at undermining U.S. national security interests," OIG reviewed the stated purposes of 39 grants and cooperative agreements GEC awarded in FY 2018 to assess whether they align with the statutory mandate and grant authority the FY 2017 National Defense Authorization Act gives to GEC.

(U) To determine whether GEC monitored the awards in accordance with Federal requirements, Department policies and guidance, and award terms and conditions, OIG reviewed risk assessments, monitoring and evaluation plans, and quarterly performance and financial reports associated with 10 selected cooperative agreements. OIG also reviewed recipients' general ledgers for each of the 10 awards selected to determine whether actual award expenses

¹ (U) Pub. L. No. 114-328, December 23, 2016, and Pub. L. No. 115-232, August 13, 2018.

² (U) Department, "Federal Assistance Directive," October 2017.

³ (U) 4 FAM 600, "Grants and Other Financial Assistance," and 18 FAM 301.4, "Department of State Program and Project Design, Monitoring, and Evaluation."

⁴ (U) 4 FAH-3 H-600, "Grants and Other Financial Assistance."

reflected reported expenses and to determine whether expenses were allocable to the awards and supported with documentation. In addition, OIG conducted interviews in Washington, DC, with GEC officials involved with monitoring Federal assistance awards, including the Grants Officer, Grants Officer Representatives (GORs), Program Officers, and Monitoring and Evaluation Specialists. OIG also met with Federal assistance award recipients in Washington, DC; Berlin, Germany; and Bratislava, Slovakia, to discuss GEC monitoring activities and any changes that have been implemented as a result.

(U) Prior Reports

(U) In the *Audit of Humanitarian Assistance Cooperative Agreements Supporting Internally Displaced Persons in Iraq* (AUD-MERO-19-20, March 2019), OIG reported that the Department's Bureau of Population, Refugees, and Migration (PRM) generally complied with Federal requirements, Department guidance, and award terms and conditions in monitoring cooperative agreements supporting internally displaced persons in Iraq. OIG also reported that PRM needed to improve monitoring of award recipient's budgets to ensure that funds are used as intended.

(U) In the *Audit of Humanitarian Assistance to South Sudan* (AUD-MERO-18-48, July 2018), OIG reported that PRM generally complied with Federal and Department requirements regarding cooperative agreement monitoring. OIG also reported that award recipients deviated from approved budget plans and misapplied expenses because PRM did not implement procedures to verify that recipients complied with approved budgets or obtained permission to deviate from approved budgets. In addition, OIG reported that PRM did not fully assess all relevant country risks regarding South Sudan, such as crime and corruption.

(U) In the Government Accountability Office's *Countering ISIS and Its Effects: Key Issues for Oversight* (GAO-17-687SP, July 2017), the agency reported that GEC maintains a digital outreach team that produces messages posted on Facebook, Twitter, and other platforms to refute Islamic State of Iraq and Syria propaganda in Arabic, Urdu, or Somali. The Government Accountability Office also reported that GEC and U.S. embassies have organized workshops in which social media companies or Department personnel provided training to non-governmental organizations on how to develop messaging campaigns to discredit violent extremist narratives.

(U) Work Related to Internal Controls

(U) OIG performed steps to assess the adequacy of internal controls related to award issuance and monitoring, including reviewing policies, procedures, and processes applicable to the areas audited. OIG identified three internal control components as significant to the audit: control environment, control activities, and information and communication.

(U) OIG determined establishing structure, assigning responsibility, and delegating authority to be significant control environment principles that help determine whether GEC officials understand their roles and responsibilities related to managing and monitoring Federal assistance awards. To address this principle, OIG conducted interviews with GEC officials,

including the Grants Officer, GORs, Program Officers, and Monitoring and Evaluation specialists responsible for issuing and monitoring Federal assistance awards. OIG also reviewed Notices of Awards,⁵ GOR Designation Memoranda, quarterly performance reports, quarterly Federal financial reports, and correspondence in the official award files for 10 selected cooperative agreements that GEC awarded in FY 2018. OIG corroborated information through interviews with GEC officials and award recipients. Furthermore, OIG requested documents to clarify the roles, responsibilities, and competence of Federal assistance award staff.

(U) OIG determined that design and implementation of control activities were significant because those principles assist the Department in creating policies and procedures that align with the entity's mandate. OIG assessed the design and implementation of control activities through interviews with GEC's senior officials and those officials responsible for monitoring the grants and cooperative agreements to gain an understanding of GEC's standard operating procedures.

(U) OIG determined that communication is a significant control component because it helps GEC understand roles and responsibilities, maintain adequate recordkeeping, and execute effective monitoring and evaluation activities. OIG assessed these components by reviewing correspondence documentation in the 10 cooperative agreements selected for review as well as interviewing GEC's Grants Officer, Program Officers, Monitoring and Evaluation Specialists, the Principal Deputy and Special Advisor, the Threat and Functional Teams, and award recipients to determine whether information was clearly communicated. Areas of internal control that OIG identified as needing improvement are presented in the Audit Results section of this report.

(U) Use of Computer-Processed Data

(U) OIG obtained from GEC a list of 39 grants and cooperative agreements GEC provided in FY 2018. To attest to the data's completeness, OIG compared the GEC data with data from the State Assistance Management System (SAMS) Domestic. OIG did not identify any material discrepancies and concluded that the data were sufficiently reliable to meet the objectives of this audit.

(U) In addition, OIG reviewed data from the Department's Payment Management System to determine whether the GEC Grants Officer and GORs reviewed and approved recipients' quarterly Federal Financial Reports in accordance with the Department's Federal Assistance Directive. The results of this analysis are presented in the Audit Results section of this report.

(U) OIG also obtained from the recipients the general ledgers associated with 10 selected cooperative agreements. OIG compared the value of transactions for each award budget category against the amounts authorized under the award and the amounts reported in quarterly financial reports. OIG then reviewed a non-statistical sample of transactions from

⁵ The Notice of Award is the official obligating document for all grants and cooperative agreements to organizations.

each award to determine whether transactions were allowable under the terms and conditions of the awards and supported documentation. The results of these analyses are presented in the Audit Results section of this report.

(U) Detailed Sampling Methodology

(U) To determine whether GEC monitored Federal assistance awards in accordance with Federal requirements, Department policies and guidance, and award terms and conditions, OIG reviewed 10 selected cooperative agreements from a total of 39 grants and cooperative agreements that GEC awarded in FY 2018. OIG selected awards with the highest dollar value. OIG then eliminated awards that were issued to the same recipient and replaced them with the next-highest valued award. The value of 10 selected cooperative agreements totaled \$34,645,321 or 59 percent of the \$58.6 million that GEC provided to recipients in FY 2018. Table A.1 shows the 10 awards that OIG selected for testing.

(U) Table A.1: Selected GEC-Issued Federal Assistance Awards

(SBU) Award Number, Period of Performance	(SBU) Award Recipient	(U) Award Value
SGECPD18CA0030 (9/30/2018—9/29/2020)	Democracy Council of California	\$10,881,622
(b) (4), (b) (7)(E) (9/26/2018—9/25/2020)	(b) (4), (b) (7)(E)	4,413,272
(b) (4), (b) (7)(E) (9/28/2018—3/31/2020)	(b) (4), (b) (7)(E)	3,496,232
(b) (4), (b) (7)(E) (9/28/2018—10/27/2020)	(b) (4), (b) (7)(E)	3,002,047
SGECPD18CA0024 (9/25/2018—9/18/2020)	Park Capital Investment Group	2,997,345
(b) (4), (b) (7)(E) 9/28/2018—3/28/2020)	(b) (4), (b) (7)(E)	2,354,912
(b) (4), (b) (7)(E) 9/26/2018—10/23/2020)	(b) (4), (b) (7)(E)	2,250,000
(b) (4), (b) (7)(E) 9/27/2018—3/27/2020)	(b) (4), (b) (7)(E)	2,250,000
(b) (4), (b) (7)(E) 9/28/2018—5/31/2019)	(b) (4), (b) (7)(E)	1,500,000
SGECPD18CA0027 (9/27/2018—3/20/2020)	CNA Corporation	1,499,891
Total		\$34,645,321

(U) Source: OIG-generated from information obtained from the Department’s SAMS Domestic.

(U) OIG obtained general ledgers as of September 30, 2019, for the 10 selected cooperative agreements. The general ledgers showed 5,532 transactions and expenses totaling \$7,545,865. Table A.2 shows the number and value of transactions associated with each general ledger.

(U) Table A.2: Selected GEC-Issued Federal Assistance Award General Ledger Transactions

(SBU) Award Number	(SBU) Award Recipient	(U) Number of General Ledger Transactions as of September 30, 2019	(U) General Ledger Expenses as of September 30, 2019
SGECPD18CA0030	Democracy Council of California	1,031	\$1,698,233
(b) (4), (b) (7)(E)	(b) (4), (b) (7)(E)	152	493,012
(b) (4), (b) (7)(E)	(b) (4), (b) (7)(E)	274	1,450,881
(b) (4), (b) (7)(E)	(b) (4), (b) (7)(E)	157	398,787
SGECPD18CA0024	Park Capital Investment Group	137	1,042,820
(b) (4), (b) (7)(E)	(b) (4), (b) (7)(E)	597	820,943

(b) (4), (b) (7)(E)		916	429,089
		636	581,867
		1,431	310,910
		SGECPD18CA0027	CNA Corporation
Total		5,532	\$7,545,865

(U) Source: OIG-generated from an analysis of the general ledgers provided by GEC’s award recipients.

(U) OIG judgmentally selected between 5 and 25 transactions associated with each award for detailed review, a total of 170 transactions, valued at \$2,312,444 or 31 percent of total award expenses for review. OIG judgmentally determined the appropriate sample size for each cooperative agreement, then analyzed transactions and judgmentally selected the appropriate number for review across budget categories. Table A.3 shows the number and value of transactions selected.

(U) Table A.3: OIG-Selected General Ledger Transactions

(SBU) Award Number	(SBU) Award Recipient	(U) Number of General Ledger Transactions Selected for Review	(U) Value of General Ledger Transactions Selected for Review
SGECPD18CA0030	Democracy Council of California	20	\$541,987
(b) (4), (b) (7)(E)	(b) (4), (b) (7)(E)	20	330,849
		20	243,366
		20	245,458
SGECPD18CA0024	Park Capital Investment Group	5	113,972
(b) (4), (b) (7)(E)	(b) (4), (b) (7)(E)	20	215,697
		25	65,316
		19	407,670
		5	28,966
SGECPD18CA0027	CNA Corporation	16	119,163
Total		170	\$2,312,444

(U) Source: OIG-generated from an analysis of the general ledgers provided by GEC’s award recipients.

(U) APPENDIX B: GLOBAL ENGAGEMENT CENTER RESPONSE



United States Department of State

Washington, D.C. 20520

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March 27, 2020

MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: R/GEC – Lea Gabrielle, Special Envoy and Coordinator

SUBJECT: GEC Response to Draft Report on *Audit of Global Engagement Center Federal Assistance Award Management*

The Global Engagement Center (GEC) is grateful for the OIG Audit team's review of our FY 2018 Federal assistance awards. The review provides actionable insights into the GEC's management of programmatic work as it transitioned from a sole focus on countering terrorist propaganda to also addressing adversarial disinformation and propaganda from state-actors, as required by the 2017 National Defense Authorization Act (NDAA). The GEC welcomes the opportunity to comment on this draft report, and to offer some additional context and clarifications for your consideration.

The GEC concurs with the report's formal recommendations and has either resolved them or is in the process of aggressively implementing them. The GEC believes strongly, however, that several important material factors were not fully presented in the report narrative, which could leave readers with an inaccurate picture of the GEC's overall administration of Federal assistance awards.

Hiring Freeze a Key Factor

The draft report recognizes that understaffing was the root cause of the observed issues with paperwork and documentation. However, this critical factor is not highlighted in key portions of the narrative. A major expansion in the GEC's mandate coincided with the Department's freeze on hiring, leaving the GEC without enough experienced staff despite multiple appeals for support to the relevant Department entities. Tasked by Congress with a new mission of high importance to national security, but not provided with the necessary staffing, the GEC prioritized action over bureaucracy. Fortunately, both the Department and the GEC are past that difficult time, and the GEC today has significantly strengthened its capacity to administer Federal assistance awards.

GEC Safeguarded Expenditures but Documentation was Incomplete

The GEC is pleased that the OIG found that the award recipient expenditures it examined were generally necessary, reasonable, allocable and allowable. Effective investment of taxpayer funding to meet the national security threats the GEC is tasked with addressing is a top priority for my leadership team. While the GEC recognizes the importance of the process issues highlighted in the report, it is reassuring that the OIG did not identify any questionable costs. We take our fiduciary responsibility seriously, and believe that the instances of incomplete documentation in SAMS Domestic do not fully reflect the extent of GEC officials' attention to

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this critical matter. We are taking steps to ensure better documentation of our compliance verification efforts in the future.

DoD Transfer Consumed Critical GEC Bandwidth

A section of the report covers the GEC's consultations with the Department of Defense (DoD) Office of the Assistant Secretary for Special Operations and Low Intensity Conflict (SO/LIC) around the FY 2018 NDAA sec. 1287(e) funding transfer to the GEC. This section understates the impact of this onerous bureaucratic process on the GEC's capacity to administer Federal assistance awards throughout FY 2018 and well into FY 2019. The report primarily focused on the late timing of the funds transfer, which was only a relatively small part of the picture.

While uncertainty about the timing of the transfer severely inhibited the GEC's ability to do operational planning, thousands of hours of staff time went into the process of negotiating the Memorandum of Agreement with DoD, clearing the content of notices of funding opportunity, obtaining the input of DoD offices on each submitted proposal, and clearing with DoD the draft award scopes of work, implementer work plans and monitoring and evaluation plans. This onerous burden fell on a single Grants Officer and a small cohort of other GEC staff who at that time had significant experience with Federal assistance awards administration. Given that FY 2018 was the first time the GEC was implementing a new funding transfer authority provided by Congress, it was essential that the GEC invest the time and effort necessary to try to make the process work. It is regrettable that under these challenging circumstances some paperwork processes were not properly recorded or missed. As the draft report notes, the GEC has since hired an additional Senior Grants Officer and several other experienced grants management staff, which has strengthened the GEC's capacity and processes.

Finding A: The GEC ensured the referenced award aligned with the purposes of the 2017 NDAA guidance. The fact that the "stated purpose" entered into SAMS Domestic implied otherwise was the result of an inadvertent clerical error that was quickly identified. Unfortunately, repeated attempts to rectify it failed because SAMS Domestic does not support these kinds of corrections. The actual purpose of the award and the activities the awardee carried out to counter disinformation and propaganda of the Iranian regime were fully aligned with the GEC's mandate and the purposes set out in the 2017 NDAA. The GEC acknowledges issues with the documentation of this award, but it is incorrect to state that the GEC supported activities inconsistent with its mandate. The GEC's monitoring of the award and communication with the recipient ensured that the errors in the award documentation did not materially affect the performance of the award or the allowability of expenditures made under it.

Finding B: The GEC would also like to point out a material issue relevant to the portion of Finding B in the draft report that contends: "Risk Assessments and Monitoring and Evaluation Plans for Assistance Awards Did Not Meet Federal and Department Requirements" (p. 14). The report applies the requirements of 18 FAM 300 to individual recipients' monitoring and evaluation plans, although there is no clear authority for doing so. Evaluations of Department programs overall are covered by 18 FAM 300, but these requirements are not within the scope of grants policy, which is governed by the Federal Assistance Directive. Grant recipients are not subject to the FAM. The three errors specifically cited in the report were technical mistakes in the documentation uploaded to SAMS Domestic. They had no material impact on the Grants

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Officer's determination of the level and nature of risks related to each award, and did not result in the omission of any specific award conditions or other risk mitigation efforts.

Statements in the section of Finding B related to financial monitoring and reporting also require clarification. The OIG contends that spending rates “appear low” but provides no standard or metric to support this statement. The spend rate for any award depends on the unique circumstances of that award’s execution. The section cites two awards. On the first, the GEC and the implementer took the fiscally responsible approach of not rushing spending until it was clear that the award was likely to deliver the expected value and results. The correctness of this approach was borne out when it became clear the implementer would not be able to execute a portion of the scope of work as expected, at which point the GEC made modifications to ensure that funds were used to the greatest benefit. On the second cited award, the OIG accurately reports that the rate of spending was dependent on the lengthy approval process for awards drawing on DoD funding. The GEC believes that, overall, the restrained expenditure rates reflect diligent stewardship of taxpayer resources.

Personnel Costs were Justified by Labor-Intensive Awards

The way the draft report characterizes awardee spending on personnel fosters a false impression of problems where no actual problems were identified. For most GEC awards, a high proportion of spending on personnel and associated costs is expected, necessary and appropriate. For example, capacity-building of local partners is labor-intensive, so it requires experienced, capable staff. Awards supporting the identification, analysis and countering of adversarial disinformation and propaganda primarily support the application of expert knowledge of often highly complex analytical tools and efforts, and thus a large portion of the agreed budgets are used to pay for the time and talents of highly skilled people. This is particularly true in the earlier stages of awards, when the implementer is conducting the operational planning necessary to achieve the award aims and onboarding the necessary personnel to deliver the activities intended for later stages of the award.

OIG Recommendation 1: OIG recommends that the Global Engagement Center complete a staffing needs assessment to determine the appropriate number and experience level needed for Grants Officers, Grants Officer Representatives, Project Officers, Monitoring and Evaluation Specialists, and Grants Administrators to effectively manage and monitor its complement of Federal assistance awards.

GEC Response: GEC concurs with this recommendation.

GEC Corrective Actions Already Well Underway: The GEC initiated a process of assessing and aligning the staff necessary to effectively manage and monitor its complement of Federal assistance awards in December 2019 after onboarding a second Senior Grants Officer. The GEC is working with EUR-IO/EX/HR to create two new Personal Services Contractor positions in the GEC Resources Grants Unit to serve as full-time Grants Officer Representatives (GORs); moving this function from a part-time responsibility of primarily policy-oriented staff on the threat teams to dedicated experts within the Grants Unit. EUR-IO/EX/IIR issued a vacancy announcement on March 5, 2020 for a GS-15 Grants Management Officer to further bolster awards management capability and expertise. The GEC will continue to work with the relevant

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Department support elements to complete a formal staffing needs assessment and implementation plan by May 29, 2020.

OIG Recommendation 2: OIG recommends that the Global Engagement Center implement to the extent feasible the results of the staffing needs assessment conducted in response to Recommendation 1.

GEC Response: GEC concurs with this recommendation.

OIG Recommendation 3: OIG recommends that the Global Engagement Center clearly identify and designate roles and responsibilities for personnel serving as Grants Officers, Grants Officer Representatives, Project Officers, Monitoring and Evaluation Specialists, and Grants Administrators for all Federal assistance awards and inform award recipients to enhance transparency and ensure that information is clearly communicated to all involved parties.

GEC Response: GEC concurs with this recommendation. GEC notes that a recurring system error in SAMS Domestic caused some of the confusion over which individuals were assigned as GORs to which awards. The system would spontaneously undo changes to award assignments when users tried to update the GOR field. GEC grants staff raised this problem with the ILMS Help Desk on several occasions. Moreover, it has been a challenge to enroll personnel in SAMS Domestic as GORs. Individuals who have received their certificates from A/OPE/FA and have completed SAMS Domestic training have on several occasions waited more than a month to receive access. This is not a problem that the GEC can remedy.

GEC Corrective Actions Nearly Complete: Roles and responsibilities for Grants Officers, GORs, Grants Administrators, Monitoring and Evaluation Specialists, Program Officers, Team Directors, and Budget Officers are being more clearly defined in the GEC Grants Policy and Procedure Manual (PPM). An updated version of this document will be submitted to the GEC Front Office for approval by April 3, 2020.

OIG Recommendation 4: OIG recommends that the Global Engagement Center establish and implement policies, processes, and procedures for awarding, managing, and monitoring Federal assistance awards.

GEC Response: GEC concurs with this recommendation.

GEC Corrective Actions Nearly Complete: GEC's Grants Officers are completing a review and update of the GEC Grants Policy and Procedure Manual (PPM) to incorporate OIG suggestions. The updated version of this document will be submitted to the GEC Front Office for approval by April 3, 2020. GEC grants staff are also completing updated work templates and job aids to support Federal assistance awards administration and will conduct a series of trainings to ensure that all GEC staff involved in awards administration understand policies and procedures and how to properly apply them.

OIG Recommendation 5: OIG recommends that the Global Engagement Center establish performance standards with respect to application of the policies, processes, and procedures

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developed and implemented in Recommendation 4.

GEC Response: GEC concurs with this recommendation.

GEC Corrective Actions Already Well Underway: GEC leadership has tasked supervisors to complete revisions, as necessary, to Civil Service work commitments, Foreign Service work requirements and contractor scopes of work to include specific performance standards with respect to the application of the policies, processes and procedures contained in the updated Grants Policy and Procedure Manual within fifteen (15) business days of GEC Front Office approval and publication of the PPM.

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(U) ABBREVIATIONS

C.F.R.	Code of Federal Regulations
Department	Department of State
FAD	Federal Assistance Directive
FAM	Foreign Affairs Manual
GEC	Global Engagement Center
GOR	Grants Officer Representative
NDAA	National Defense Authorization Act
NEA	Bureau of Near Eastern Affairs
OIG	Office of Inspector General
PRM	Bureau of Population, Refugees, and Migration
SAMS	State Assistance Management System

(U) OIG AUDIT TEAM MEMBERS

David G. Bernet, Director
Middle East Region Operations
Office of Audits

Rachel Kell, Audit Manager
Middle East Region Operations
Office of Audits

Holly Carabbio, Management Analyst
Middle East Region Operations
Office of Audits

Amy Lowenstein, Senior Management Analyst
Middle East Region Operations
Office of Audits

Peter Schmidt, Senior Auditor
Middle East Region Operations
Office of Audits



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